REMARKS

Reconsideration and allowance in view of the foregoing amendments and the following remarks is respectfully requested.

Abstract

The abstract has been revised to consist of less than 150 words

Claim amendments/Status

In this response, claims 1 and 2 have been amended, claims 11-14, 17-18, and 21-22 have been marked as being withdrawn (non-elected). It should be noted that while claim 13 has been indicated as being examined, it depends from claim 11 which is withdrawn and is therefore assumed to also be withdrawn. Claims 1-22 remain pending in the application.

Rejections under 35 USC § 101

The rejection of claims 1-10, 15 and 16 under 35 USC § 101 because the claimed invention is directed to non-statutory subject matter is respectfully traversed.

As will be noted, claim 1 has been extensively amended and now is such as to call for sufficient structure as to meet the requirement that the method steps are associated with a particular type of apparatus. Claim 2 has been amended to call for a step in which the processing section converts the disclosure information read from the disclosure-information database into a publication adapted for dissemination over a communication network. Similar amendments have been made to claims 15 and 16.

Rejections under 35 USC § 112

The rejection of claims 1-10, 13, 15, 16, 19 and 20 under 35 U.S.C. 112, first paragraph, is respectfully traversed.

The main thrust of the rejection is that it is impossible to tell the future and therefore impossible to make predictions for the same reason it has been impossible to predict the weather two months/years away. In this situation, this is not actually true and thus the position that undue experimentation would be necessary is respectfully traversed.

Appended are papers which outline algorithms and the like which have been developed to predict future stock market fluctuations such as by volatility and arccosine analysis, the use of

the Elliot wave theory, and the Gann angle system. Whether these systems are infallible or not is not at issue, the fact is that these programs and/or theories do exist and are known and are in use. Adaption of these systems/theories to the claimed subject matter would not require undue experimentation and as such render the § 112 rejection untenable. It is to be noted that the claims do not call for infallibly and are directed to taking pertinent factors into account and rationally using the same.

As to the Ford Edsel, it is generally agreed that the product was good but the naming was bad. The same has been true for a myriad of products and thus a huge amount of time and money is now spent on getting the right name for the right product. Note how much trouble Toyota went to in obtaining the right to use the "Lexus" name as a brand.

Conclusion

All objections and rejections having been addressed, it is respectfully submitted that the present application should be in condition for allowance and a Notice to that effect is earnestly solicited.

To the extent necessary, a petition for an extension of time under 37 C.F.R. 1.136 is hereby made. Please charge any shortage in fees due in connection with the filing of this paper, including extension of time fees, to Deposit Account 07-1337 and please credit any excess fees to such deposit account.

Respectfully submitted,
LOWE HAUPTMAN HAM & BERNER, LLP

Kenneth M. Berner

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KMB/KT/ser/cac

APPENDIX

CALIFORNIA STATE SCIENCE FAIR
2006 PROJECT SUMMARY

Name(s)

Carter E. Greenbaum; Leah A. Greenbaum

Project Number

S1208

Project Title

An Algorithm for Predicting Future Stock Market Fluctuations by Volatility and Arccosine Analysis

Abstract

Objectives/Goals

The objective of this research project is to determine the most accurate techniques in predicting short-term stock market fluctuations by identifying recurring patterns in the stock market.

Methods/Materials

After observing and recording patterns to predict price changes, an algorithm for computing volatility as a means of determining the risk factor of buying a stock must be created. The same must be done for the reward. Finally, a pattern must be established for predicting an uptrend and a downtrend, which is common and recurring among the great majority of heavily, traded stocks. Stocks were bought and sold based on these patterns and the gain per transaction was recorded.

Results

After 10 Weeks and 500 transactions, I returned 54% on my original investment. That is an average of .108% per transactions. This was a 10-week simulation (with 50 trading days and a maximum of 10 transactions per day). My portfolio placed first in the entire state of California because of the technical analysis techniques I used. Meanwhile, the stocks in my control group lost a total of 3% on the same amount of transactions. My second trial reaffirmed the results of my first trial.

Conclusions/Discussion

The technique that returned the most on my original investment was Parabolic (SAR) Analysis, a commonly used and applied technique. On average, the pattern materializes 5 to 6 times a day in a single stock. However 7 out of 8 times, according to my algorithm, the possible risk is greater than the reward. The next highest performer was my own modified theory, the Fibonacci Cap Sequence. Rounding out the top three was the Elliot Wave Analysis. The most commonly occurring pattern is the arccosine pattern. Even though the Parabolic SAR is the most profitable pattern, it does not occur as often as the arccosine pattern.

The Fibonacci Cap Sequence was the second most profitable pattern. In a close third was the Elliot Wave pattern. The best analyses for short-term investments are the Parabolic SAR, Fibonacci Cap Sequence, Elliot Wave Pattern and the Arccosine Pattern.

Summary Statement

Determining which type of short-term analysis is most accurate in predicting short term Stock Market fluctuations?

Help Received

Dr. Taylor helped with software development

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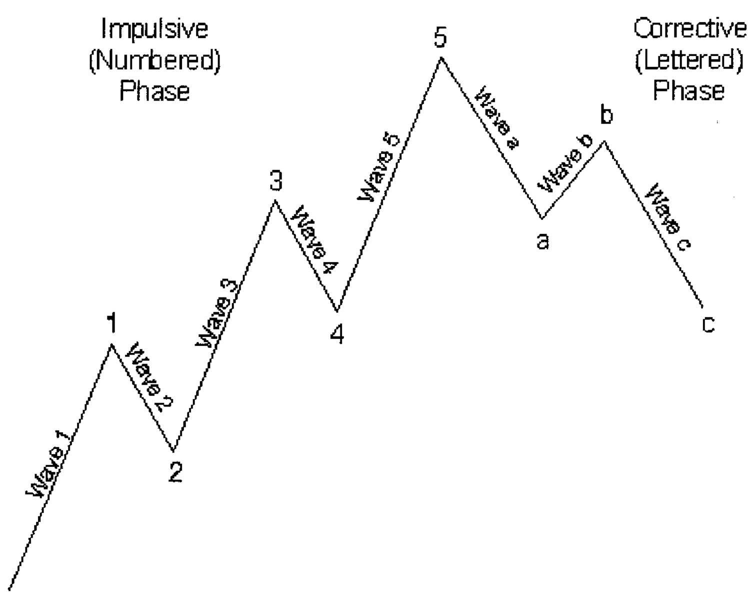
Elliott Wave - Part Of Stock Market Forecast

This Elliott Wave page has been updated. Please see the bottom to learn more as well.

Stock prices go up and down in predictable wave patterns. You can use these predictable patterns to forecast future stock market directions.

This chart, courtesy of Elliott Wave International shows the basic wave structure.



Basically, there are five waves up, follow by three waves down and then the whole process repeats itself.

Wave 1

This is an impulse wave and often reverses from the previous trend like end of wave c. It normally terminates on the first resistance/support level on the chart. Wave 1 can also subdivide into five little waves (1 to 5) as shown above. It is often the shortest of all waves.

Wave 2

This is a retracement of wave 1, known as corrective wave. This normally

False Breakout
Day Trading
Pivot Point Trading
Day Trading Software
Emini Futures Trading
Best Trading Courses
UK Trading Courses
Forex Trading
Forex Strategies
Home Study Courses

dips to a fibonacci retracements of 0.382 to 0.941 of wave 1. Quite often, it retraces to 0.618 of wave 1, but it can never retraces more than wave 1, otherwise it's not wave 2.

Wave 2 can also subdivide into three little waves, namely a, b and c.

Wave 3

This is normally the longest wave of all 5 Elliott waves. So to make tons of money, jump on board this wave!

Wave 3 is a certain percentage external retracement of wave 2 and wave 1, but often terminates at the golden fibonacci retracements ratio of 1.618. It can also subdivide into five little waves as well.

Wave 4

This is a corrective wave and a retracement of wave 3. Although Elliott stated that wave 4 can not retrace into wave 2/ pass wave 1, I have seen it happened on many occasions.

Generally, wave 4 retraces certain percentage of wave 3, normally in the range of 0.382 to 0.618. But I have seen it gone just below the peak of wave 1 before.

Wave 4 can also subdivide into 3 little waves a, b and c.

Wave 5

This is the last uptrend wave in the series and often forms a diagonal triangle shape and also a butterfly shape which often implies end of trend is near.

This is a certain percentage of wave 3 and wave 1. When these two fibonacci prices meet, the end of wave 5 is imminent and a big fall will follow!

It can also subdivide into 5 little waves.

Wave A

Wave A to C is a retracement of all 5 waves. You use technical indicators such as MACD divergence as well as fibonacci retracement to predict where wave A ends.

Wave A can either sub divide into 3 or 5 little waves.

Wave B

This is a retracement of wave A. This can be any percentages, but normally terminates at 0.618 of A.

Wave B can subdivide into 3 little waves a, b and c.

Wave C

This is normally the longest of the corrective/retracement waves. But once

again, it can be any percentage retracment of all 5 waves.

From what I have seen, normally it's same length as wave A and also 1.618 of B. Wave C can also subdivide into 5 little waves.

These are just the basics and there are lots to consider. Sometimes, these patterns are literally staring at you, other times it could be quite confusing and difficult to spot,especially on wave 2 and 4 where they are developing zig-zag patterns or wedge/pennant patterns. But if you are not sure, just trade wave 1-3 or a-c as they all have minimum 3 waves.

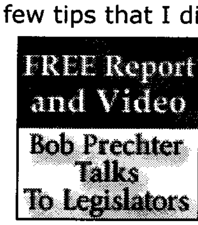
Want To Learn More ?

You can learn more by becoming a free member at Elliott Wave International. Bob Prechter Of Elliott Wave International correctly predicted the 1987 stock market crash using Elliott Wave Strategies. So, you can learn from experts in this field from this site. Here is a video clip of Bob Prechter speaking on Bloomberg television.

Robert Prechter | Oct. 19, 2007

Bob speaks with Bloomberg's Pimm Fox about the risks to stocks and commodities – a year ago – on the 20th anniversary of the 1987 crash.

You can download the following free Elliott wave articles, courtesy of Elliott Wave International and sign up as a free member to access to online free learning stuffs. I still receive free articles and sometimes video and learn a few tips that I did not know!



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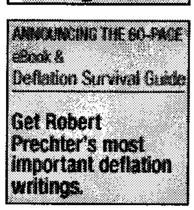
Watch Bob Prechter's 30-minute presentation to legislators that will not only change the way you view this financial crisis, but the markets in general. It's packed with 14 charts and figures important enough to share with government officials.



Get Robert Prechter's FREE 60-Page Deflation Survival Guide
With you in mind, financial analyst Robert Prechter scoured thousands of pages of his warnings and teachings about deflation. He then handpicked his most important deflation writings and compiled them into a special, unedited, 60-page Deflation Survival Guide. If you havent yet given Prechter's deflation argument your full attention, you should know now that yesterday was the best time to do so. Download Your 60-page Deflation Survival Guide Now FREE.

The Most Important Investment Report You'll Read in 2009
Get help with navigating this year's economic turmoil with hard facts, eye-opening charts, and straight-forward commentary. You'll also get 10 pages of valuable,

For those of you who know these Waves Theory/patterns already, but want to do the analysis yourself, please click on waves analysis page where I will show you some tools to take it to the next level to predict future stock market turning points.

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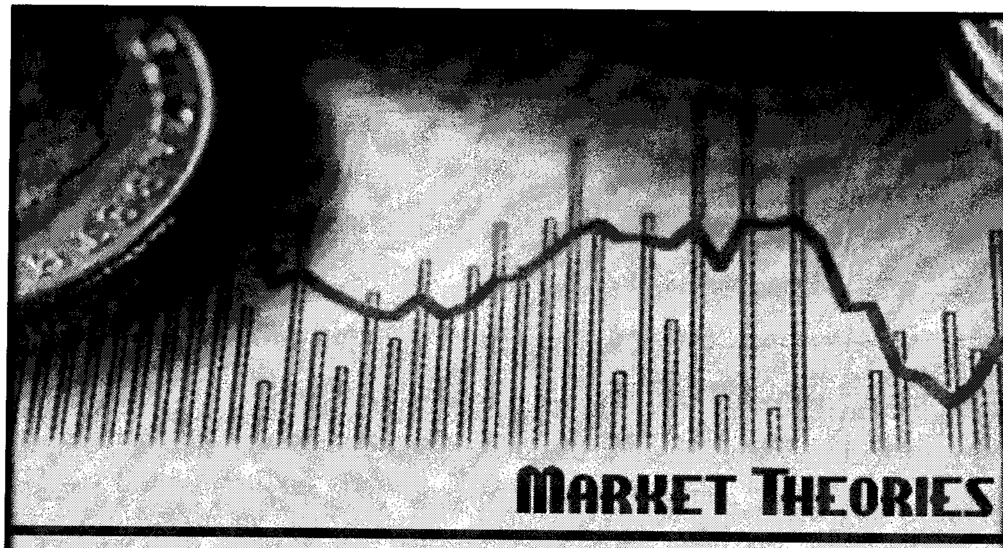

Elliott Wave Theory

Elliott Wave theory is another way of predicting the movement and direction of the stock market. Invented by Ralph Nelson Elliott, the theory is based on the belief that the markets have well-defined wave patterns that predict the future of the market direction. Under the Elliott Wave theory, the market moves in predetermined waves, up and down. The theory claims that bull markets move in five waves up and three waves down, with waves 1, 3, and 5 called impulse waves. In a bear market, the waves are reversed with five down and three up.

The Elliott Wave theory goes against the chaos theory. It is the only cyclical theory that does not require a specific time period for market changes. The theory is somewhat based on the Dow theory, in that both theories focus on waves in the market.

Interpretation

Every cycle in the Elliott Wave theory includes the 5-3 wave move. The second set of waves "corrects" the first set of waves, based on the assumption that for every action there is a reaction. There is no predetermined amount of time these waves take.

The Elliott Wave theory assigns the waves into categories in order of largest to smallest. These categories are grand supercycle; supercycle; cycle; primary; intermediate; minor; minute; minuette; and sub-minuette. The main wave is the supercycle. Using the Elliott Wave theory in trading, the investor identifies the supercycle and bases trading on that, predicting when the next wave will begin, when the pattern begins to lose momentum and a reversal is imminent.

Technical Analysis

The Elliott Wave theory uses technical analysis as its model for stock prediction. Technical analysis is a method that analyzes the statistics that are generated by stock market activity. The method is not meant to measure the value of the stock. Instead, it is looking at patterns and other indicators on the stock market's movement. Predictions are then made based on those patterns. The Elliott Wave theory is aligned with fractal mathematics. Technical analysis has risen in popularity as a stock market predictor because it takes past history into consideration. In recent years, more investors and market analysts are paying more attention to historical patterns of stock movement as a way of predicting future growth.

Terms

Concepts

Competitive Market Theory

Chaos Theory

Random Walk Theory

Efficient Market Theory

Dow Theory

Bull Market Theory

Bear Market Theory

Elliott Wave Theory

Behavior Trading

Seasonal Trends

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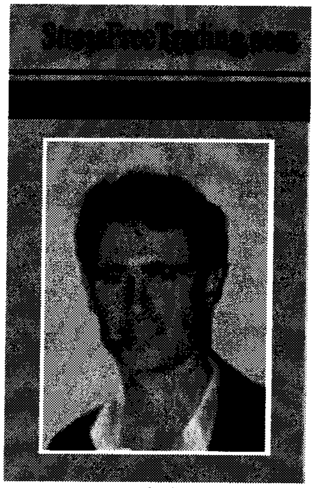

Other Stock Trading Methods

Articles

- Swing Trading
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- Warren Buffet
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- Other Stock Trading Methods
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- Stock Trading Rules
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- Stock Options - Understanding the Basics:
- Small Cap Stock Trading:

By Mark Crisp

The Stress Free Stock Trader

http://www.stressfreetrading.com (c)

20th August 2003

There are hundreds if not thousands of methods, systems, theories, in which you can "trade" the stock market. But what really works and what doesn't can end up costing you a lot of money, time and effort. Here is my lowdown on some of the more popular methods being touted by system vendors.

Elliot Wave:

What is it?

Elliot Wave is a way of defining the market action in a five wave formation. A very simple explanation. It basically says mass psychology is predictable in a liquid market by a five wave cycle. An accumulation wave. A correction. A much bigger wave. A correction again. Then the final "speculative" wave. Where the public jumps in. This is the final wave and the the next correction is not correction as such but the end of the market cycle.

A picture is worth a thousand words. See the chart of the NASDAQ during the great "bear" of 2001 to 2003

You Can Make Your Fortune In The Stock Market

Compare Mutual Funds To Own Investing

How To Survive A Bear Market

Stock Market History

Jack D. Schwager

Elliot Wave Anyone

Return on Investment

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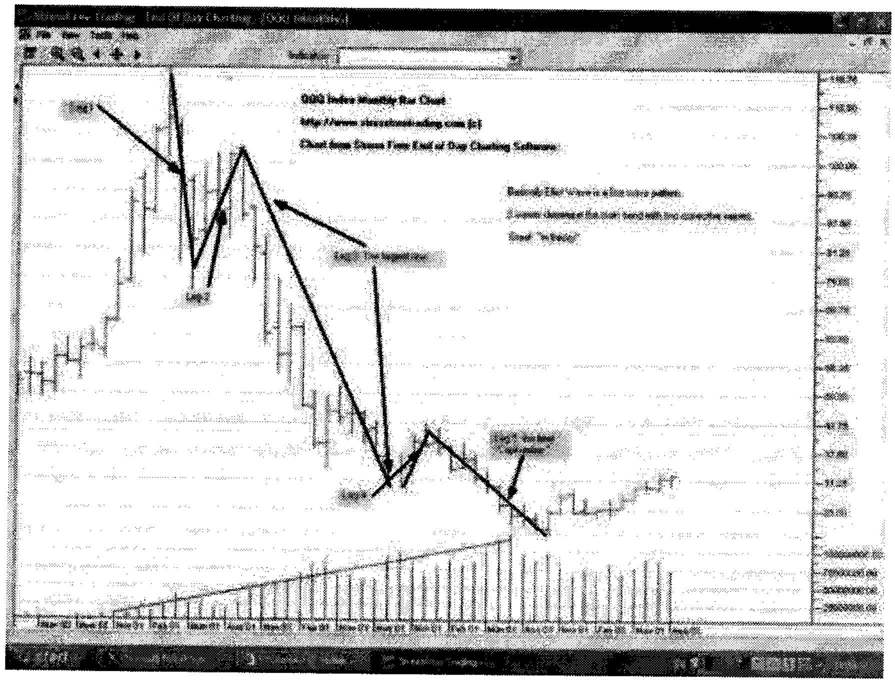
Self Help for Traders



So, looking at the above chart Elliot Wave does seem to hold some credibility. It's is clear the great market crash of 2001 to 2003 did move in an almost perfectly formed five wave cycle. Three waves down. Leg three being the biggest and leg five being the final one. All seems well.

This is what I want to say about Elliot Wave. In a "nutshell" it does seem to have some substance. Look at some monthly bar charts of a liquid market (where there is massive public participation) and you will be able to see some great five wave formations. Great. That's about all the interest I have in Elliot Wave. There is absolutely nothing you can trade off. It's not quantifiable. Sometimes you will see Elliot Wave formations, most of the time you will not. And then it gets worse.

Ask twenty Elliot Wave enthusiasts what they see in the same chart and I'll guarantee you will get twenty different answers. How can you trade of something so subjective? Why should a market move up in three waves? where's the common sense about this method? I do not see it.

And when an E.W. formation goes wrong do they say "oh sorry I am wrong. cut your losses and get out"? No. They they bring in extra rules about a correction wave within the formation and pile more and more B*S already onto a sea of B*S and non-sense.

I used to subscribe to an E.W newsletter. It was really interesting to listen to. this market was in this wave and would go here.. blah,blah,blah.... I didn't make any money from their recommendations. Lost a lot.

Verdict:

Something that might hold some academic interest if this is what "bakes your potatoes" but beyond the definition about liquid markets moving in five waves... I wouldn't delve any deeper into this. I honestly do not believe you can trade from this "theory"

Rating

2 / 10

W.D Gann:

What is it?

This isn't a what but a who. WD Gann was a famous trader who made millions, billions way back at the turn of the century by predicting future stock market trends by using the superb Gann Angle System. Just think for a few hundred dollars many vendors are willing to let you find the "Gann Secrets" and help you make millions in the stock market. Drop everything.. we have found the Holy Grail of stock trading.

Back to reality. Gann ..... do your-self a favor and do not even waste your time in this area. For one it is a method that tries to "predict" the future. ANY method that does this, in my eyes, should not even be considered. But here are some shocking facts about the so called brillaint WD Gann and his amazing method.

The Gann method is about measuring slope of trends to predict reversals in those trends. It's fancy. It can look great on "cherry picked" past charts. But predict the future.... it can not do!

You must read William Gallacher's book: "Winner Takes All", It is some time since I read it and do not have a copy here right now but I always remember the section on the Gann Method. His son was interviewed for a position at a bank and the conversation of his father (the Great W.D. Gann) came up. It went something like this:

Interviewer: So what happened to all those millions your father made in the stock market?"

Son of Gann: "He never left us millions. He left us $50,000 (do not quote me on this.. it was a low figure). My father was a failure trading the stock market. Although he did o.k. selling his trading materials."

There was a bit more to it than that but read the book for your-self and have a laugh at all those so called "Gann" experts selling trading methods based on a method whose originator never made any money from.

Here is another fact about Gann... I read in the Market Wizards II book the Interview with William Eckhardt (p.110 / p.111) , and believe me if the top,

professional traders talk about Gann trading methods in this way, you do not want to be wasting your time on it.

Eckhardt: "If you wanted your computer system to be cognizant of slope, you would have to program this feature into it. At that point, it would become abundantly clear that the slope value depends directly on the choice of units and scales for the time and price axes"

My comment: Basically he is saying in non mathematical language.. Gann angles for trading are too subjective.

Jack Schwager: I have always been amazed by how many people are oblivious to the time scale-dependent nature of chart angles or unconcerned about its ramifications. My realization of the Inherent arbitrariness of slope of line methods is precisely I've never been willing to spend five minutes even five minutes on Gann angles or the works by the proponents of his methodology.

There you have it.

Verdict:

I wouldn't even look at it for an academic interest point. Never mind from a trading method. A complete waste of your time, money and effort.

Rating:

0/10

Coming up next month:

Fibonnacci

Turtles Trading System

Next: Momentum Stock Trading System

Previous: Jesse Livermore

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